

Lifetime Allowance Fact Sheet

The Lifetime Allowance (LTA) is the total amount you can build up from all your pension savings in your lifetime without incurring a tax charge. The LTA from 6 April 2012 is £1.5 million. From 6 April 2014 the LTA will reduce to £1.25 million.

The effects of LTA changes

The majority of members will not be affected; however, if you have a pension (before taking any lump sum) in excess of £75,000 you may be affected. Using the LTA of £1.25 million, from April 2014, if you have a pension (before taking any lump sum) in excess of £62,500 you may also be affected.

The above figures only apply to your SPPS scheme benefits. If you have any other pension savings in addition to these (including money purchase or Additional Voluntary Contributions (AVCs)) you will need to take these into account.

Exceeding the LTA

If you are over the limit, tax on the excess is charged at:

- 55% on your lump sum above your personal tax allowance
- 25% on your pension in excess of your personal LTA.

However, the maximum tax free lump sum is,

- the lower of 25% of the remaining standard LTA (25% of £1.8 million for fixed protection)
- or, 25% of the remaining capital value

Benefit Crystallisation

For the purposes of the LTA, your benefits crystallise on the date you had an actual right to receive your benefits. This date is the latter of:

- the payable date or
- the date benefits are actually authorised by SPPA.

Recycling

If you are intending to use 30% or more of your lump sum to increase your pension benefits, this could result in HMRC subjecting the whole of your lump sum to an unauthorised payment tax charge of 40% and a further 15% surcharge if the value of unauthorised payments exceeds 25% of your rights in the scheme.

This recycling rule will not affect you if your lump sum does not exceed 1% of your Lifetime Allowance.

Further information

SPPA cannot give you financial or tax advice and if you need this you should speak to a professional adviser. You can read more about lifetime allowances on HMRC's website at www.hmrc.gov.uk/pensionsschemes.

Factsheets are designed to give a brief overview. They do not cover every aspect and further guidance can be obtained from the member and employer guides. Full details are contained in the rules of the scheme.